

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2001-325-E - ORDER NO. 2001-711  
AUGUST 8, 2001

IN RE:	Application of South Carolina Electric & Gas	)	ORDER AUTHORIZING
	Company for Authority to Issue and Sell from	)	\$400,000,000 FIRST
	time to time up to \$400,000,000 of its First	)	MORTGAGE BONDS IN
	Mortgage Bonds in one or more series.	)	ONE OR MORE SERIES

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application to issue securities filed on July 26, 2001, by South Carolina Electric & Gas Company (the Company or SCE&G). The Application was filed pursuant to S.C. Code Ann. §58-27-1710 (1976). The Registration Statement for the securities was filed as Exhibit A to the Application.

SCE&G proposes to offer for sale from time to time up to Four Hundred Million Dollars (\$400,000,000) principal amount of its First Mortgage Bonds (the New Bonds) in one or more series, to be issued under the Indenture dated as of April 1, 1993, as supplemented (the New Indenture), with The Bank of New York, as Trustee (the New Trustee). Initially, the New Bonds will be secured primarily by (i) a like principal amount of non-interest bearing Class A Bonds (bonds issued under SCE&G's existing Indenture dated as of January 1, 1945, as supplemented), due December 31, 2093, delivered to the New Trustee for the benefit of the holders of New Bonds under the terms of the New Indenture, and (ii) the lien of the New Indenture upon substantially all of the electrical generation, transmission and distribution properties of SCE&G described in the granting clauses of the New Indenture, which lien is junior to the lien of the Class A Indenture.

The terms of each series of the New Bonds will be negotiated and will have such call and redemption provisions as may be specified in the supplemental indenture relating to such series of New Bonds. At each issuance of New Bonds, SCE&G will designate an equal principal amount of Class A Bonds then held by the New Trustee as the basis for authentication for the New Bonds. When all of the Class A Bonds outstanding under the Class A Indenture shall have been retired and the Class A Indenture shall have been cancelled, the lien of the New Indenture will then become a first lien upon the properties of SCE&G described in the granting clauses of the New Indenture.

As stated in the Registration Statement and in the Application, the Company will use the net proceeds from the sale of the New Bonds for general corporate purposes, including the financing of the Company's construction program, and the reduction of short-term indebtedness and to refinance senior securities.

According to the Application, SCE&G's cash requirements for its construction program and nuclear fuel expenditures (including amounts for construction of base load generating facilities) are estimated at \$409,785,000 for 2001 and \$1,345,534,000 for 2002 – 2005; and for refunding and retiring outstanding securities estimated at \$27,591,000 during 2001 (including sinking fund maturities of \$23,611,000 of which \$23,466,000 were satisfied by deposit and cancellation of bonds issued on the basis of retirement credits or property additions). During 2002 – 2005, Applicant has \$454,856,000 of long-term debt maturing (including sinking fund maturities of \$94,018,000 of which 93,863,000 may be satisfied by deposit and cancellation of bonds issued on the basis of retirement credits or property additions) and \$2,240,000 for purchases or sinking fund requirements for preferred stock. SCE&G may revise its cash requirements to refund additional outstanding securities in light of changing market conditions.

SCE&G plans to offer one or more series of the New Bonds either through underwriters or dealers, through agents, or directly to a limited number of purchasers or to a single purchaser.

If underwriters are utilized with respect to any series of the New Bonds, SCE&G proposes to sell such series pursuant to an underwriting agreement in the form described hereafter and furnished as an exhibit to the Registration Statement, to an underwriter or to a group of underwriters to be selected at the time of each such sale. If any series of the New Bonds is offered in a private placement or through agents, an appropriate sales agreement will be utilized with respect to such series.

SCE&G states that negotiations at market with the purchaser or purchasers, to be concluded shortly before the offering of each series of the New Bonds, will determine the interest rate to be borne by, the maturity date of, the initial offering price of, the price to be paid to SCE&G for, the call provisions of, any underwriting discount (i.e., the difference between the initial offering price and the price paid by the underwriter or underwriters to SCE&G) with respect to, and the redemption prices of, each series of the New Bonds. Based on market conditions, SCE&G believes that the initial offering price usually will not be less than 97% nor more than 102% of the principal amount of such series of New Bonds (except in the case of original discount bonds sometimes known as “zero coupon bonds”), that any underwriting discount will not exceed 1½% of the principal amount of such series of the New Bonds that the initial regular redemption price, if any (except in the case of original discount bonds sometimes known as “zero coupon bonds”), will not exceed 100% of the principal amount of such series of the New Bonds plus a make whole amount (yield maintenance payment) and that the initial special redemption price, if any (except in the case of original discount bonds sometimes known as “zero coupon bonds”), will not exceed 100% of the principal amount of such series of the

New Bonds or the initial offering price of each series of the New Bonds, whichever is greater. SCE&G requests that it be authorized to negotiate the most favorable interest rate and terms obtainable on the date each series of the New Bonds is priced including, if appropriate, terms, prices and redemption provisions appropriate for original discount securities sometimes known as “zero coupon bonds.” Sales of each series of the New Bonds will be made from time to time when market conditions, in the judgment of SCE&G, are favorable.

After investigation by the Commission Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibits thereto are proper; that the purpose of the proposed issue of New Bonds and the proposed use of the proceeds of the New Bonds are proper; that the proposal to issue the New Bonds in one or more series, from time to time, as market conditions appear favorable, is reasonable and proper, and that the proposed alternative methods of offering are proper. Further, the Commission finds that the form of underwriting agreement attached as an exhibit to the Registration Statement is proper, subject to such changes therein as may be required in connection with any particular offering. The Commission also finds that the determination by SCE&G of the appropriate time or times to offer the New Bonds is reasonable and proper. The Commission Staff shall continue to monitor the Company’s capital structure.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

1. That South Carolina Electric & Gas Company (SCE&G) be, and it hereby is, authorized to issue and sell at such time or times as in the judgment of SCE&G may be favorable, in one or more series, up to Four Hundred Million Dollars (\$400,000,000) principal amount of First Mortgage Bonds (New Bonds) in one or more series due not later than thirty-five (35) years from the respective date of issue of each such series, to be authenticated and issued on

the basis of the designation of an equal principal amount of Bonds (Class A Bonds) issued to and held by The Bank of New York (the New Trustee), under its existing Indenture dated as of January 1, 1945, as currently supplemented and as may be supplemented in the future, at such price or prices, with such redemption provisions and at such interest rate or rates (in the case of bonds other than original discount or “zero coupon bonds”) as may be negotiated with the purchaser or purchasers of the New Bonds of any series in connection with the offering thereof.

2. That SCE&G is authorized to issue any series of New Bonds in either of the following ways: (i) through underwriters or dealers; (ii) or directly to a limited number of purchasers or to a single purchaser; or (iii) through agents.

3. That if necessary in connection with the issue and sale of a series of New Bonds, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver one or more indentures supplemental to the New Indenture.

4. That in connection with the issue and sale of each series of New Bonds, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver an underwriting agreement substantially similar in content to that filed as an exhibit to the Registration Statement (but with such changes therein as may be reasonably necessary to consummate the particular transaction).

5. That in connection with the issuance and sale of any series of the New Bonds in a private placement or through agents, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver an appropriate sales agreement (but with such changes as may be reasonably necessary to consummate the particular transaction).

6. That SCE&G is authorized to use the net proceeds of the sale of each series of New Bonds, solely or with other corporate funds in any case, for general corporate purposes,

including the financing of the Company's construction program, and the reduction of short-term indebtedness and to refinance senior securities.

7. That SCE&G file conformed copies of each indenture supplemental to the New Indenture, underwriting agreement and/or sales agreement entered into in connection with the issuance and sale of each series of the New Bonds, within thirty (30) days after closing the transaction related to each series, and such other information as may be required by provisions of Order No. 91-72, dated January 18, 1991, Docket No. 91-032-E.

8. Approval of the Application does not bind the Commission as to the ratemaking treatment of this issuance.

9. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

10. The Commission strongly encourages the Company to carry out the financial transactions in such a manner as to attempt to minimize possible negative impacts which could be harmful to ratepayers.

11. The Commission Staff shall continue to monitor the Company's capital structure .

12. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)